

Press Release

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Stable growth in core business, impulses from steel, building services and PPE/technical trade

- **Stable course of growth in core business: plus 306 million up to EUR 6.35 billion trading volume**
- **Impulses from steel, building services and PPE/technical trade, growth from tools, fittings at high level**
- **Core services and future topics in the focus of EVOLUTION: Improvements in day-to-day business obtained, reorganisation adopted, foundation laid for future**
- **E/D/E contributes to increasing efficiency along the value chain**

Wuppertal – After the previous year's growth leap above the six-billion euro mark (plus EUR 487 million), the E/D/E Group once again achieved a significant increase in trading volume from 306 million to EUR 6.35 billion in 2018. In October, the E/D/E Group recorded the strongest month in its history with a volume of EUR 594 million. A total of EUR 1.37 billion were realised together with partners abroad. Dr. Andreas Trautwein, Chairman of the Executive Board of the E/D/E Group: "In a challenging environment for goods, we were again able to grow more strongly than planned in 2018. Our core business is stable and growing at a high level. At the same time, with our strategy and organisational development process EVOLUTION, we have made concrete improvements for our partners and, in the spirit of our vision of the future, have focused on the implementation. 2018 was an intense year for the E/D/E Group and full of success."

In Germany, business increased by EUR 261 million. The trading volume generated abroad rose by EUR 45 million, adjusted by a structural effect even by almost EUR 100 million. The impulses for the overall business came, among other things, from the steel sector, which grew at an above-average rate and was also influenced by significant, content-related development of cooperation with the members. With a growth of EUR 41 million, the goods segments of PPE/technical trade dynamically continued the strong performance of the previous year. Building services and, in particular, cooperation with the partners mah and VGH proved to be strong drivers of growth. Moreover, WUPPER-RING and EHH introduced new paths, both in terms of personnel and concept.

The warehouse business in building services, along with tools and other divisions of goods performed disproportionately well and achieved new record values in the electronic Logistics Center (eLC). In both national and international business, the member companies increasingly made use of

the E/D/E Logistics as a platform for realising advantages of scale and efficiency in supplying their customers. In total, a profit of EUR 15 million was achieved on a warehouse turnover of EUR 307.6 million. This signifies a new record as well as a milestone achieved on the path to the mid-term goal of achieving a turnover of EUR 500 million in the warehouse business.

In the context of process support and optimisation, the sustainable success of E/D/E Industrial Services must also be categorised. In 2018, personnel capacities were further increased, new output systems and software solutions were introduced, and the conceptual and technological development of a comprehensive ecosystem for MRO needs was significantly advanced, including complementary product lines from other branches. One element of the association's vision of the future and defined goal is to strengthen and expand significant supply systems for craft and industry together with its partners throughout Europe. In this, industrial services in the core business are the starting point and driver.

Consistent strengthening of the net equity

At EUR 14.4 million, the Group's profit was at the level of the previous year, and the cash flow improved to EUR 28.9 million. The annual profit will again largely be allocated to the reserve fund to further improve the investment strength of the E/D/E Group. The net equity is approaching the 400-million euro mark and amounted to EUR 391.5 million, as of 31 December 2018. Dr. Trautwein comments: "The level is completely acceptable in the current phase of investment and of shaping the future. For the future, we have different expectations towards our results. We see a clear mission in laying the foundations for the continued business success of E/D/E and its partners via efficiency gains and impacts on the cost side. Numerous completed, ongoing and planned company projects are contributing to digital process optimisation and efficiency improvement along the value chain in the industrial B2B trade."

Impact achieved for partners in day-to-day business

In this context, many of the projects and activities that E/D/E has implemented or launched over 2018 in its comprehensive programme to strengthen its services in the day-to-day business, are to be understood. "Primarily, we were guided by one question: what can we do each day to further facilitate and improve the daily work of the members?", describes Dr. Trautwein. In addition to the further development of product lines, trademarks, services and purchasing processes, logistics was a central focus in 2018: In order to provide wholesalers with reliably good supplier performance, E/D/E used its investments to expand the conveying technology in Wuppertal as well as to enlarge the inventory of goods, in addition to introducing new delivery services in the growing end-customer business. These services, which include delivery at a desired date or two-

man handling, were in high demand from wholesalers and their customers right from the beginning.

The e-commerce application multi-shop has also been further developed and optimised in a manner targeted towards a comprehensive e-commerce platform with numerous possibilities of networking with craft and industry. Thanks to a comprehensive consolidation of software, around 500 optimisation measures to improve usability and functionality were implemented. A modern requirements management has been established in order to enable even more agile development in the interests of more than 300 wholesalers who are using the shop. In addition, E/D/E digitised the ordering process between members and suppliers. Via existing modified E/D/E interfaces, the wholesalers' systems communicate directly with those of the manufacturers, resulting in significant efficiency gains in the supply chain. With its innovative cloud-based solutions, E/D/E additionally covers the entire value chain in industrial B2B trade (PVH). These solutions are being developed in the ERP environment along with a strategic partner to be then integrated from the ERP and PIM systems all the way to the multi-shop.

PVH FUTURE LAB GmbH

The joint establishment of PVH FUTURE LAB GmbH by E/D/E and innovative entrepreneurs from the E/D/E members demonstrates the willingness to take new paths and to make new technologies usable for the network through a different type of cooperation. The first marketable development, a platform for the use of 3D printing, was quite favourably received on presentation at the E/D/E industry meeting in September 2018 (also known as "Branchentreff"). Already 25 wholesalers from the association are using this new business model for professional 3D printing with plastic and metal. In addition to the Rapid3D-business model, the PVH FUTURE LAB GmbH deals in other "speedboats" with prototypes for the utilisation of machine learning and artificial intelligence.

eDC Industry solution for fittings

E/D/E also chose a new approach in 2018 with its eDC industry solution for fittings in product data management. After the discussions with trade associations, distributors and suppliers of the hardware industry had set a clear signal for the correct timing of an industry solution, the association opened access to the eDC concept, which was initiated years ago and continues to this day, to fittings companies who are not E/D/E members or suppliers. At present, far more than 300,000 fittings-related data sets are maintained on the eDC eCI@ss Standard. Its aim is to promote the necessary further development of data management throughout the industry. During and following a well-attended informational event in Wuppertal, E/D/E received much encouragement for this initiative. In the

meantime, substantial wholesalers outside the E/D/E Group have opted to use the eDC data.

Educational support in the industrial B2B

For the future and as an important priority for 2018, E/D/E and the E/D/E Foundation support professional education in industrial B2B trade. The Foundation was able to award its 400th ZHH scholarship and on this occasion hosted an Educational Initiatives Day at the Junior University Wuppertal. On the initiative of E/D/E and the E/D/E ACADEMY, the dual course of study in industrial B2B management at the bachelor level was again accredited. In addition, the E/D/E ACADEMY is continuing to expand its content and methodology in the field of digitisation.

EVOLUTION: the year of acting

As part of EVOLUTION, the process of the strategy and organisational development, 2018 represented the "year of acting" on many different levels. In strategic dialogues and at group events, the findings from the Innovative Stakeholder Analysis (ISA) as well as the vision of the future – partially developed on this basis – were presented to the partners, discussed and found great approval. This exchange in the spirit of networking and use of system intelligence has been instrumental in the change of perspective to "outside-in", as a principle of EVOLUTION. The valuable feedback gained in this way was evaluated and taken into account in the following process.

In addition to the above-mentioned programme to strengthen the performance of day-to-day business, the focus for E/D/E in 2018 was also on the development and adoption of an appropriate organisation. The new organisational design gives on one hand justice to the current and future growth process and the requirements of digitisation. On the other hand, it ideally corresponds to the partly new challenges and expectations of the members in the core functions affecting net income. In this way, a functional specialisation is added to the existing technical specialisation of E/D/E.

In this vein, 2019 will entail the step-by-step development of new, functional areas, such as member management and the management of suppliers/categories of goods. In order to further professionalise purchasing, this function will also be structurally established in the organisation as an independent area. In addition, the digital services will be bundled. Dr. Andreas Trautwein: "We took a very structured approach to EVOLUTION and, especially in the development of the reorganisation, gave the process an unusually broad foundation and used the system intelligence of the association as well as external expertise. The result has been a high level of acceptance within the company and also among our

partners. This gives us the necessary boost to gradually implement the reorganisation in 2019 with success.“

The implementation of the E/D/E Group’s reorganisation takes place on the foundation of functional differentiation and an expansion of the E/D/E Executive Board, as seen in early 2019 with Peter Jüngst and Thomas Henkel – two experienced specialists and managers – joining the team. With the reorganisation of the Executive Board and, lower in the company, the planned strengthening of personnel in the Goods and Services sectors, E/D/E is able to reproduce – adequately and with even greater operational proximity to the day-to-day business of the organisation – important core functions of a modern association, such as purchasing, member management, management of suppliers/categories of goods, digital services, IT, logistics and HR management.

On-site investments

E/D/E is truly committed to its home town Wuppertal. In 2018, the association invested around EUR 1 million in expanding logistic conveying technology. In 2019, a planned acquisition of the property across from the company headquarters lies ahead. At the same time, the company is creating sustainable jobs in a changing world of work and keeping up with the changing requirements in the association’s business. One current example is the newly approved apprenticeship programme as a merchant in e-commerce, which two of the 16 career-starters joined in 2018 at E/D/E. On balance, seven jobs were added across the locations, with 1,136 employees working in the E/D/E Group at the end of 2018. In logistics, 51 part-time employees received permanent employment contracts. In addition, E/D/E and the E/D/E Foundation have remained active in the region, with special attention given to educational support and help for children and young people in need.

Grow further, implement the new organisation and increase efficiency reserves

For 2019, the E/D/E Group is planning a trading volume of around EUR 6.64 billion, and thus an increase of EUR 294 million. This sum would correspond to more than one-billion euro of growth over three years in E/D/E’s goods areas.

“Implementing our vision of the future and the reorganization will push us considerably in 2019. We are convinced that this will lay the cornerstone for further success of E/D/E and its partners,” says Dr. Trautwein. At the same time, this entails significant investments in personnel to adequately fill and strengthen new and existing areas of responsibility, as well as in IT systems and the further development of digital and core services. Dr. Trautwein continues: “We will continue to promote the digital transformation and automation of standard processes and thus make our

contribution to increase efficiency along the entire value chain. Last but not least, we are also focusing on our own costs.”

About E/D/E

E/D/E (Einkaufsbüro Deutscher Eisenhändler GmbH) is Europe’s largest purchasing and marketing association, comprised of more than 960 medium-sized trading companies in the branch of industrial B2B and around 240 further retailers. These companies deal with tools, machinery and factory equipment, construction fittings and components, sanitary and heating equipment, steel and fastening technology, welding, safety and industrial technology as well as professional protection equipment. The majority of these member companies supply commercial customers from industry, craft and municipalities. The E/D/E Group also includes the affiliated companies ETRIS Bank GmbH, Toolineo GmbH & Co. KG, EDE International AG, ESH Euro Stahl-Handel GmbH & Co. KG, e+h Services AG, ZEDEV Einkauf und Service AG, eDC Haustechnik-Daten GmbH & Co. KG as well as DELCREDIT España S.A. and DELCREDIT France S.A.S., PVH FUTURE LAB GmbH and EURO-DIY GmbH & Co. KG.

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